

## Message Text

CONFIDENTIAL

PAGE 01 LONDON 00916 181936Z

ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04  
ITC-01 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 XMB-02  
SEC-01 FTC-01 EA-07 NEA-10 OPIC-03 SIL-01 /125 W  
-----190522Z 083651 /14

R 181920Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9613

TREASURY DEPT WASHDC

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY PARIS

AMEMBASSY OTTAWA

C O N F I D E N T I A L LONDON 00916

E.O.11652: GDS

TAGS: ETRD, GATT, EFIN, UK, EC

SUBJECT: UK EXPORT INFLATION INSURANCE SCHEME

REF: (A) STATE 65; (B) LONDON 67 & 113; (C) GENEVA 23

1. THE CANADIAN HIGH COMMISSION IN LONDON HAS ALSO PRO-  
TESTED THE EXTENSION OF THE UK'S EXPORT INFLATION INSUR-  
ANCE SCHEME. THE CANADIANS MADE THEIR PRESENTATION IN  
LATE DECEMBER TO ASSISTANT SECRETARY JOHN HALL AT THE  
EXPORT CREDIT GUARANTEE DEPARTMENT (ECGD). A HIGH  
COMMISSION OFFICER TOLD US THEY MADE THE FOLLOWING  
POINTS:

(A) CANADA CONSIDERS THE SCHEME TO BE "A FORM OF EXPORT  
SUBSIDY WHICH IS ILLEGAL UNDER GATT AND RUNS COUNTER TO  
THE SPIRIT OF THE CONSENSUS ON EXPORT CREDITS IN WHICH  
CANADA HAS JOINED THE UK AND OTHER MAJOR TRADING PART-  
NERS."

CONFIDENTIAL

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PAGE 02 LONDON 00916 181936Z

(B) CANADA IS "CONCERNED THAT THE PRACTICE OF INSURANCE  
ARRANGEMENTS OF THIS TYPE SHOULD NOT SPREAD TO COUNTRIES  
NOT NOW MOUNTING SUCH SCHEMES AND HAD BEEN VERY HOPEFUL  
THAT THE UNITED KINGDOM WOULD SET AN EXAMPLE BY WITHDRAW-  
ING ITS OWN." CANADA WILL BE PRESSING ITS VIEWS IN THE  
MTN, GATT AND OECD.

(C) IT IS NOTED THAT ONLY TWO CONTRACTS UNDER THIS PRO-

GRAM HAVE BEEN SIGNED TO DATE. THIS SUGGESTS THAT THE IMPACT OF WITHDRAWAL WOULD BE MARGINAL ON BUSINESS INTERESTS IN THE UNITED KINGDOM.

(D) THE PROGRAM'S CONTINUATION "WILL LEAD TO PRESSURE ON THE CANADIAN GOVERNMENT TO RESPOND IN KIND AND COUNTER-VAIL WHERE IT IS APPROPRIATE."

(E) "CANADA IS SYMPATHETIC TO THE ECONOMIC PROBLEMS OF THE UNITED KINGDOM ... BUT IS KEENLY DISAPPOINTED AT THE CONTINUATION OF THIS PROGRAM."

2. OUR CANADIAN CONTACTS SAID THEY MET A STONE WALL AT ECGD. WE UNDERSTAND THAT HALL CLAIMED THAT THE BRITISH HAVE SPECIAL PROBLEMS, SUCH AS A HIGH INFLATION RATE, TO COPE WITH. HOWEVER, HIS MAIN POINT WAS THE QUESTION OF WHY THE UK SHOULD BE SINGLED OUT FOR PROTEST WHEN FRANCE MAINTAINS A MORE EXTENSIVE AND DEEPLY ENTRENCHED SYSTEM. HALL REPORTEDLY SAID THAT BRITAIN WOULD ABOLISH ITS SYSTEM IF FRANCE WOULD DO THE SAME.

3. CANADA INTENDS TO CONTINUE ITS BILATERAL PROTESTS. LAST WEEK AT THE MINISTERIAL-LEVEL CANADA-FRANCE ECONOMIC COMMISSION MEETING IN OTTAWA A COMPLAINT WAS MADE ABOUT THE FRENCH SCHEME. OUR CONTACTS SAY THERE WAS NO SOFTENING OF THE FRENCH POSITION. NEXT WEEK THE CANADIANS WILL RAISE THE ISSUE AGAIN WITH THE BRITISH IN THE CONTEXT OF THE CANADA-UK COMMISSION MEETING.

4. WE UNDERSTAND THE CANADIAN EMBASSY IN WASHINGTON HAS BEEN DISCUSSING WITH U.S. OFFICIALS HOW WE MIGHT PROCEED  
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PAGE 03 LONDON 00916 181936Z

ON THIS ISSUE. REQUEST ANY APPROPRIATE INFORMATION BE MADE AVAILABLE TO THE EMBASSY TO ASSIST IN PURSUING CASE WITH BRITISH.

ARMSTRONG

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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22 May 2009  
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